1996

Health care industry developments - 1996/97; Audit risk alerts

American Institute of Certified Public Accountants. Auditing Standards Division

Audit Risk Alerts

Health Care Industry Developments—1996/97

Complement to AICPA Audit and Accounting Guide
Health Care Organizations

AICPA
American Institute of
Certified Public Accountants

NOTICE TO READERS

This Audit Risk Alert is intended to provide auditors of financial statements of health care organizations with an overview of recent economic, industry, regulatory, and professional developments that may affect the audits they perform. This document has been prepared by the AICPA staff. It has not been approved, disapproved, or otherwise acted on by a senior technical committee of the AICPA.

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The staff of the AICPA is grateful to the members of the AICPA Health Care Committee for their contribution to this document.

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Health Care Industry Developments—1996/97

Industry and Economic Developments

Although comprehensive health care reform legislation has not been passed by Congress, health care remains at the forefront of the national debate. Washington continues to debate the most far-reaching reform of Medicare and Medicaid since these programs were created as part of the Great Society of the 1960s. For the first time since the inception of these entitlement programs, lawmakers have offered budgets to curb long-term spending increases. Although it is unclear whether substantive reform legislation will be passed by Congress during an election year, one thing is certain—changes to Medicare and Medicaid could have significant effects on the financial results of health care providers.

Market-driven changes continue to outpace federal initiatives. Market pressures to provide quality health care at reasonable costs have sustained the movement toward a managed care environment, resulting in an increasing number of mergers, acquisitions, and other affiliations among health care providers. As these providers come together to form integrated delivery systems and establish new alliances within a managed care structure, many are accepting more of the financial risk of treating patients. Furthermore, these transactions typically are the subject of close regulatory scrutiny. As a result, these transactions subject health care providers to new areas of financial and business risk. Health care providers are developing integrated delivery systems and establishing new alliances to gain operating and functional efficiencies. Specific auditing issues that have arisen from these market-driven changes are discussed in both the "Audit Issues and Developments" section of this Audit Risk Alert (see the discussion entitled "Risk-Related Issues in a Managed Care Environment") as well as the "Accounting Issues and Developments" section (see the discussion entitled "Accounting for Transfers Among Health Care Organizations").

In addition to these industry and economic developments, the federal government is increasing its efforts to identify and prosecute fraudulent and abusive activities involving health care entities. The government's focus stems from United States Department of Justice estimates that health care fraud and abuse costs the national economy as much as $100 billion annually. This investigative activity, combined with the increased number of affiliations in the industry, raises the

awareness of fraud and abuse, and other regulatory concerns. In this environment, auditors should be alert to potential issues raised by investigative activities.

These and other developments that may affect audits of financial statements of health care organizations are discussed in this Audit Risk Alert.

Regulatory, Legislative, and Other Developments

Revisions to the Single Audit Act and OMB Single Audit Circulars

Thus far in 1996, the following two important developments have occurred with respect to the Single Audit Act (the Act) and the United States Office of Management and Budget (OMB) Single Audit Circulars:

1. Legislation amending the Act was signed into law.
2. Revisions to OMB Circular A-133 were issued by the OMB.

The most significant effect of these developments on the health care industry is the fact that applicability of the Act and OMB Circular A-133 has been extended to all nonprofit hospitals.

Single Audit Act Amendments

On July 5, 1996, legislation amending the Single Audit Act was signed into law by President Clinton. The new law (P.L. 104-156) makes several important changes to the Single Audit Act of 1984, which established audit requirements for non-federal entities receiving federal financial assistance. Highlights of important changes include the following:

- Extension of the Act's coverage to nonprofit organizations
- Implementation of a risk-based approach for auditors to select major federal programs to be audited
- Increase of the dollar threshold for single audit coverage to $300,000
- The requirement that auditors provide a summary of the results of their work concerning the audited entity's financial statements, internal controls, and compliance with laws and regulations
- Reduction of the audit report due date to nine months

The new law is effective for fiscal years beginning after June 30, 1996. An electronic version of the Single Audit Act Amendments of 1996 is

available on the U.S. Government Accounting Office (GAO) Office of Policy Bulletin Board (in the Single Audit–GAO Conference), which can be accessed by dialing (202) 512-4286 via modem. Both ASCII and PDF versions are available. An electronic version is also available via the Internet at *http://thorplus.lib.purdue.edu/gpo/* in the Public Laws section (click on the box marked "104 Congress"). A copy of the Act is also available on the AICPA's Fax Hotline. To access the hotline, dial (201) 938-3787 from a fax machine, follow the voice cues, and select document number 402.

OMB Circular A-133 Revisions

The OMB is moving forward on a project to combine the audit requirements under OMB Circulars A-128, *Audits of State and Local Governments*, and A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. As the first step in this project, the OMB issued proposed revisions to OMB Circular A-133 in March 1995. A revised Circular A-133 was finalized on April 22, 1996, and will be effective for audits of fiscal years ending on or after June 30, 1997. The revised Circular contains the following revisions:

- The definition of *nonprofit organization* has been revised to include all nonprofit hospitals.
- Auditors will now determine *major programs*, as defined in Circular A-133, on the basis of risk assessment, considering prior audit experience, oversight performed by federal agencies and others, and the inherent risk of the program, rather than solely on the basis of federal expenditures, as currently required.
- The required level of testing of the internal control structure over major programs has been clarified as being based on auditors' planning for a low assessed level of control risk.
- Minimum requirements for the Schedule of Federal Awards have been provided.
- Guidance is included concerning the following:

    1. Reporting audit findings concerning federal awards in a single schedule of findings and questioned costs, which includes a summary of the auditor's results
    2. Thresholds for determining which audit findings should be included in the audit report
    3. Descriptions of what information auditors should include in an audit finding

4. Required follow-up on audit findings, including providing a corrective action plan for current audit findings and a summary schedule of prior audit findings

- Guidance has been included concerning the assignment of cognizant agencies.
- Restrictions have been imposed on auditor selection whereby auditors who also prepare the indirect cost proposal or cost allocation plan are prohibited from being selected as the auditor if the indirect costs recovered in the prior year are greater than $1 million in total.

It is expected that the OMB will publish a notice of its intent to rescind OMB Circular A-128 and further revise OMB Circular A-133 to be applicable to state and local governments, colleges and universities, and not-for-profit organizations in the *Federal Register* in September 1996.

A copy of the Circular may be obtained from any of the following:

- *Federal Register* notice (April 30, 1996, 61 FR 19134)
- The OMB fax information line is (202) 395-9063, document number 1133
- The OMB home page on the Internet which is located at *http://www.whitehouse.gov/WH/EOP/omb*
- The Office of Administration, Publications Office, Room 2200, New Executive Office Building, Washington, DC 20503 (202) 395-7332

Internal Revenue Service Developments

General

Auditors should be aware of relevant tax laws and regulations and their potential effect on health care organizations and their financial statements. A not-for-profit health care organization's failure to maintain its tax-exempt status could have serious tax consequences and affect both its financial statements and related disclosures, and it could possibly require modification of the auditor's report. Failure by both for-profit and not-for-profit health care organizations to comply with tax laws and regulations could have either a direct effect on the determination of financial statement amounts (for example, the result of an incorrect accrual for taxes on unrelated business income) or an indirect effect on the financial statements that would require appropriate disclosures. AICPA Statement on Auditing Standards (SAS) No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards*, vol. 1, AU sec. 317), discusses the nature and extent of the consideration an auditor should

give to the possibility of illegal acts and provides guidance on the auditor's responsibilities if a possible illegal act is detected.

Intermediate Sanctions

On July 30, 1996, the Taxpayer Bill of Rights (H.R. 2337) was enacted into law. This legislation established intermediate sanctions in the form of excise taxes that can be assessed against individuals for any non-fair-market-value payment, including excessive compensation by public charities (such as tax-exempt hospitals) to a disqualified person. A *disqualified person* is defined as any individual who is in a position to exercise substantial influence over the affairs of the tax-exempt organization, whether by virtue of being an organization manager or otherwise. The new penalty taxes generally apply retroactively to transactions occurring on or after September 14, 1995, subject to certain transaction rules.

Health care organizations subject to these new provisions should be aware that the income tax law now provides for potential monetary sanctions against individuals who may be considered related to an organization. In addition, excess benefit transactions entered into by tax-exempt health care organizations may have additional significant implications with respect to the health care organization's compliance with other regulations, such as Medicare fraud and abuse provisions.

Focus of IRS Attention

With respect to **tax-exempt** health care provider systems, the Internal Revenue Service (IRS) is paying particular attention to tax exemption issues that arise in conjunction with the development of an integrated delivery system. Such issues include the following:

- Valuation issues with respect to the purchase of physician practices
- Reasonableness of physician compensation
- Private inurement concerns relating to both the formation and operation of physician hospital organizations (PHO) and other managed care entities

Other areas and issues that may be subject to close scrutiny by the IRS include the following:

- Joint venture affiliations between exempt health care organizations and for-profit entities
- Physician recruitment activities
- Classification issues with regard to workers as independent contractors/employees

- Proper unrelated business income reporting

For **taxable** health care organizations, the current areas of focus for the IRS include the following:

- Possible incorrect utilization of the cash method of accounting
- Incorrect application of the nonaccrual experience method for service providers (This special method of accounting allows a service provider to not accrue income which, based on experience, is not expected to be collected.)
- Proper timing of deductions with regard to capitation holdbacks that may occur with managed care entities
- Proper tax treatment of HMOs and circumstances that may indicate that they might more appropriately be considered insurance companies for tax purposes

Issues such as the preceding can have a material effect on the tax provisions and liabilities recorded in the financial statements of health care providers and, therefore, require close scrutiny by auditors.

Governmental Investigations Relating to Fraud and Abuse Violations

Although Medicare and Medicaid Anti-fraud and Abuse legislation has been in existence for nearly twenty years, regulatory developments, legal interpretations, and enforcement activities have heightened the risk of penalties for providers. A broadening interpretation in the application of the laws addressing false claims for Medicare and Medicaid payments, in conjunction with civil legislation such as the False Claim Act have opened the door for significant new civil penalty risks. Such civil penalties can be assessed on a per claim basis at rates in excess of $5,000 per false claim plus treble damages, and relate to each service claim submitted for payment or entry in a cost report. Broad interpretations of false claims are exposing ordinary billing mistakes to scrutiny and penalty consideration. Both federal and state law enforcement agencies have redirected substantial enforcement resources from other areas for the investigation and prosecution of health care fraud. In addition, a whistle-blower statute that rewards private parties for false claim identification has further spurred enforcement activity and provider risk.

In 1995, the President announced a two-year federal fraud and abuse project ("Operation Restore Trust") aimed at five states: New York, Florida, Illinois, Texas, and California. The entities affected are nursing

homes, home health agencies, hospices, and durable medical equipment suppliers. Operation Restore Trust includes the following:

- The issuance of special fraud alerts to notify the public about fraud schemes
- The establishment of a new fraud and waste report hotline
- The creation of a fund to recycle fines
- A voluntary disclosure program

The voluntary disclosure program, the centerpiece of the project, allows companies to come forward with evidence of fraud or errors within their own organizations in consideration for reduced penalties, according to the Federal Inspector General (IG).

One area of recent concern in teaching settings has been the IG and United States Attorney's attention devoted to the billing practices and billing patterns of physician clinical practice plans to determine whether attending physician services billed by the plans or hospitals were for services actually rendered by interns and residents. If the services are deemed to be rendered by interns and residents, they are not eligible for Medicare billing.

Other areas of current interest to the IG include the following:

- Violations of the 72-hour diagnosis-related group (DRG) billing window
- Kickbacks
- Improper outpatient billing
- Non-arms-length transactions
- Credit balance reporting
- Outpatient lab billing
- Illegal DRG upcoding
- Billing for services not rendered
- Managed care underutilization

In addition to the preceding investigative and enforcement activities, a number of recent legislative developments have expanded the legal force behind the government's fraud and abuse prevention efforts. Effective January 1, 1995, the Stark II anti-referral law was extended to practically all Medicare and Medicaid services. In addition, President Clinton signed the Health Insurance Portability and Accountability Act of 1996 (H.R. 3103) into law on August 21, 1996. This legislation will expand the role of the government in looking for, in-

vestigating, and prosecuting private health care fraud. The legislation also creates several new programs, increases funding, increases fines and penalties, and coordinates government efforts to fight fraud and abuse. A summary of the legislation can be obtained from the United States House Committee on Ways and Means website, which can be accessed at *http://www.house.gov/ways_means/fc-29a.htm*. A copy of the text of the new law is available at *http://thomas.loc.gov/cgi-bin/query/z?c104:H.R.3103.ENR:*

The auditor's procedures relating to fraud and abuse violations will vary based on his or her assessment of the risk of material misstatement resulting from such illegal acts. SAS No. 54 states that the auditor should plan and perform the audit to provide reasonable assurance of detecting illegal acts having a direct and material effect on the determination of financial statement amounts. SAS No. 54 also notes that an audit in accordance with generally accepted auditing standards (GAAS) does not include audit procedures specifically designed to detect illegal acts that have only an indirect effect on the financial statements (for example, illegal acts that have a material effect as the result of fines or penalties that may be imposed on the entity). The Statement also provides guidance on the auditor's responsibilities if specific information concerning the possible existence of this kind of illegal act comes to the auditor's attention. Whether an act is actually illegal is a determination that is normally beyond the auditor's professional competence.

Auditors of health care providers should consult Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* (FASB Current Text, vol.1, sec. C59), SAS No. 54, and paragraphs 2.37 through 2.41 of the AICPA Audit and Accounting Guide *Health Care Organizations* when evaluating the accounting and reporting implications of fraud and abuse issues. Auditors should also be aware that the far-reaching nature of alleged fraud and abuse violations may represent a significant risk and uncertainty that would require disclosures in accordance with Statement of Position (SOP) 94-6, *Disclosure of Certain Risks and Uncertainties*.

Circumstances have been noted in practice in which Assistant Inspector Generals have stated that the independent auditor has the obligation to report any identified fraud to the IG. In responding to such requests, auditors should consider the guidance in paragraph 29 of SAS No. 53, *The Auditor's Responsibility to Detect and Report Errors and Irregularities* (AICPA, *Professional Standards*, vol. 1, AU sec. 316), which states:

> Disclosure of irregularities to parties other than the client's senior management and its audit committee or board of directors is not ordinarily part of the auditor's responsibility, and would be precluded by the auditor's ethical or legal obligation of confidential-

ity unless the matter affects his opinion on the financial statements. The auditor should recognize, however, that in the following circumstances a duty to disclose outside the client may exist:

a. When the entity reports an auditor change under the appropriate securities law on Form 8-K[9]
b. To a successor auditor when the successor makes inquiries in accordance with section 315, *Communications Between Predecessor and Successor Auditors*[10]
c. In response to a subpoena
d. To a funding agency or other specified agency in accordance with requirements for the audits of entities that receive financial assistance from a government agency

Because potential conflicts with the auditor's ethical and legal obligations for confidentiality may be complex, the auditor may wish to consult with legal counsel before discussing irregularities with parties outside the client.

[9] Disclosure to the Securities and Exchange Commission may be necessary if, among other matters, the auditor withdraws because the board of directors has not taken appropriate remedial action. Such failure may be a reportable disagreement on Form 8-K.

[10] In accordance with section 315, communications between predecessor and successor auditors require the specific permission of the client.

Auditors should be aware that the requirements in item (a) above also include reports that may be required, under certain circumstances, pursuant to the Private Securities Litigation Reform Act of 1995 (codified in section 10A(b)1 of the Securities Exchange Act of 1934) relating to an illegal act that has a material effect on the financial statements.

Audit Issues and Developments

Risk-Related Issues in a Managed Care Environment

In an effort to respond to market pressures to provide quality health care at reasonable costs, many health care providers at all levels (for example, physicians and hospitals) are entering into managed care contracts. These contracts usually result in the providers assuming a greater share of the risk associated with underwriting health care services. Auditors should be aware of the following implications that result if health care providers enter into the managed care environment:

- As health care organizations shift from fee-for-service medicine into capitation contracting, significant changes in their revenue and expense recognition policies follow, resulting in issues similar

to those faced by prepaid health plans. For example, in many cases, revenues are generated as a result of an agreement to provide health care services rather than the actual provision of services.

- The costs of providing health care services under the terms of the contract should be accrued as services are rendered, including estimates of the costs of services rendered but not yet reported.
- Close attention should be given to the effect of managed care contracts on an entity's liability for incurred but not reported (IBNR) accruals, risk pool settlements, and risks and uncertainties disclosures.
- If hospitals and physician groups subcapitate to other provider organizations, consideration should be given to the viability of the capitated providers, as the contracting entity may be obligated in the event of financial failure of subcapitated entities.
- Retroactive changes to covered (or enrolled) members generally have corresponding impact on revenues and expenses.

Guidance on accounting and financial reporting issues associated with capitation contracts is found in chapter 13 of the AICPA Audit and Accounting Guide *Health Care Organizations* (the Guide). Auditors of health care providers that participate in managed contract arrangements should carefully consider whether management is properly applying the accounting treatment set forth in the Guide. Auditors may also find the guidance in SAS No. 57, *Auditing Accounting Estimates* (AICPA, *Professional Standards*, vol. 1, AU sec. 342) useful in auditing the accounting estimates (such as IBNR accruals and risk pool settlements) that relate to participation in such arrangements.

Many of the characteristics of the business transactions resulting from the movement towards capitated or other risk-based contracts are very similar to transactions resulting from insurance contracts, which follow guidance under specific industry-related authoritative literature. Additionally, ongoing structural and operational changes occurring throughout both the health care and insurance industries have created a need for additional accounting guidance in order to establish common guidance to resolve current divergent accounting practices for similar transactions. A project has been undertaken by a joint task force of the AICPA Health Care Committee and the AICPA Insurance Companies Committee to develop a Statement of Position (SOP) addressing the emerging accounting issues for organizations entering into certain predetermined health care arrangements. The proposed SOP would apply to the accounting for contractual arrangements that administer, assume, or transfer the risk for cost of health care services for a predetermined payment regardless of the services rendered.

Obligated Group Financial Statements

Obligated group financial statements often exclude entities that are required to be consolidated by generally accepted accounting principles (GAAP). Although the AICPA Audit and Accounting Guide *Health Care Organizations* (paragraph 12.06) does not preclude the issuance of such financial statements, because they are not prepared in accordance with GAAP, they cannot be used as the reporting entity's general-purpose external statements. However, such financial statements may be issued as special-purpose financial statements. As such, the statements should include disclosures about the nature of the reporting entity (for example, the fact that the reporting entity is comprised of various entities that form an obligated group, as defined in certain debt agreements) and the auditor's report should be modified to reflect the fact that the financial statements are special-purpose financial statements and are not intended to be a presentation in conformity with GAAP. Furthermore, the distribution of special-purpose financial statements is limited to specified users (i.e., parties to an agreement and other specified parties-in-interest to whom the special-purpose nature of the presentation has been explained). The auditors' report on the special-purpose financial statements includes a paragraph indicating that the financial statements are intended solely for the information and use of those named users. Auditors should be aware that the limited distribution requirement of obligated group financial statements that are not prepared in conformity with GAAP presents an issue for health care organizations issuing debt. Because distribution of the accountant's report on the special-purpose financial statements is limited to only the company and other parties to the debt agreement, it cannot be included in broadly distributed documents (for example, offering statements).

Auditing Pronouncements

The following exhibit and discussion summarizes five new SASs that have been recently issued.

Exhibit

Pronouncement	*Pronouncements Affected*	*Key Provisions*	*Effective Date*
SAS No. 75, *Engagements to Apply Agreed-*	SAS No. 35	Prohibits negative assurance	The Statement is effective for reports on engage-

(continued)

Pronouncement	*Pronouncements Affected*	*Key Provisions*	*Effective Date*
Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement (AICPA, *Professional Standards*, vol.1, AU sec. 622)		Provides guidance concerning the conditions for performing agreed-upon procedures engagements; the nature, timing, and extent of the procedures; the responsibilities of practitioners and specified users; and reporting on agreed-upon procedures	ments to apply agreed-upon procedures dated after April 30, 1996, with earlier application encouraged.
SAS No. 76, *Amendments to Statement on Auditing Standards No. 72*, Letters for Underwriters and Certain Other Requesting Parties (AICPA, *Professional Standards*, vol.1, AU sec. 634)	SAS No. 72	Specifies the form of letter to be provided by the accountant in circumstances in which a comfort letter is requested but the requesting party has not provided a representation letter	The Statement is effective for letters issued pursuant to paragraph 9 of SAS No. 72 after April 30, 1996.
SAS No. 77, *Amendments to Statement on Auditing Standards No. 22*, Planning and Supervision, *No. 59*, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, *and No. 62*, Special Reports (AICPA, *Professional Standards*, vol.1, AU secs. 311, 341, and 623)	SAS Nos. 22, 59, and 62	Clarifies that a written audit program should be prepared Precludes the use of conditional language in a going concern report	The Statement is effective for engagements beginning after December 15, 1995.

Pronouncement	*Pronouncements Affected*	*Key Provisions*	*Effective Date*
SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards* No. 55 (AICPA, *Professional Standards,* vol.1, AU sec. 319A)	SAS No. 55	Recognizes the COSO definition of internal control	The Statement is effective for audits of financial statements for periods beginning on or after January 1, 1997, with earlier application encouraged.
SAS No. 79, *Amendment to Statement on Auditing Standards No. 58,* Reports on Audited Financial Statements (AICPA, *Professional Standards,* vol.1, AU sec. 508)	SAS No. 58	Eliminates the requirement to add an uncertainties paragraph to the auditor's report (does not affect SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards,* vol. 1, AU sec. 341)	The Statement is effective for reports issued on or after February 29, 1996, with earlier application permitted.

Accounting Issues and Developments

Health Care Audit Guide Project

In July 1996, the AICPA Health Care Committee issued the Audit and Accounting Guide *Health Care Organizations* that supersedes the existing Audit and Accounting Guide *Audits of Providers of Health Care Services* as well as SOP 89-5, *Financial Accounting and Reporting by Providers of Prepaid Health Care Services,* and SOP 90-8, *Financial Accounting and Reporting by Continuing Care Retirement Communities.* The Guide incorporates the guidance in FASB Statement Nos. 116, *Accounting for Contributions Received and Contributions Made* (FASB, *Current Text,* vol. 1, sec. C67), and 117, *Financial Statements of Not-for-Profit Organizations* (FASB, *Current Text,* vol. 1, sec. C25, and vol. 2, sec. No5).

The Guide applies to organizations whose principal operations consist of providing or agreeing to provide health care services and that derive all or almost all of their revenues from the sale of goods and services; it also applies to organizations whose primary activities are the planning, organization, and oversight of such organizations, such as parent or holding companies of health care providers. The Guide applies to health care organizations that are one of the following:

1. Investor-owned businesses
2. Not-for-profit organizations that have no ownership interest and are essentially self-sustaining from fees charged for goods and services
3. Governmental

The Guide contains a number of significant changes in the accounting and reporting requirements for health care providers. The most significant changes relate to the following:

1. The scope of the Guide
2. Accounting for investments
3. Accounting for contributions
4. Accounting for business combinations and consolidations
5. Financial statement display

The Guide is effective for financial statements for periods beginning after June 15, 1996. Earlier application is permitted.

Securities and Exchange Commission Issues and Developments

In recent months, the Securities and Exchange Commission (SEC) has issued a number of comments to health care registrants on issues pertaining to purchase accounting, the reporting entity, and third-party reserves. Auditors of health care providers should be aware of the staff's concerns if they audit health care companies that are registered with the SEC.

Purchase Price Allocation

In reviewing business combinations involving publicly traded health care providers, the SEC continues to focus on whether registrants are complying with the requirements of Accounting Principles Board (APB) Opinion No. 16, *Business Combinations* (FASB, *Current Text,* vol. 1, sec. B50), and APB Opinion No. 17, *Intangible Assets* (FASB, *Current Text,* vol. 1, sec. I60), to allocate a portion of the purchase price to specifically identifiable intangible assets rather than solely to goodwill. The SEC is concerned that in certain sectors of the health care

industry (such as in the physician practice management sector), identifiable assets such as customer lists, workforce in place, and covenants not to compete are not being valued separately and amortized. As a result, the SEC staff may raise questions on filings in which most or all of any excess purchase price is allocated to goodwill. As they evaluate the propriety of accounting and reporting of intangibles, auditors should focus on allocations to purchased intangibles such as management contracts, workforce in place, and covenants not to compete.

Amortization of Intangibles

Another frequent area of comment pertains to the period of amortization used for intangible assets, particularly with regard to the assignment of longer lives to goodwill. Although the SEC's formal position of challenging goodwill lives that are longer than twenty years has not changed, it should be noted that longer lives of up to forty years continue to be sustained in filings by health care companies when the company's facts and circumstances demonstrate that a longer life is appropriate. Auditors of health care entities undergoing purchase acquisitions should be aware of the SEC staff's concerns when reviewing amortization lives assigned to goodwill.

Contingent Consideration

In acquisitions involving health care providers, the SEC is carefully scrutinizing contingent considerations/"earn-out" arrangements in situations where the owners of the selling company are physicians or other health care professionals who continue to be employed by, and provide health care services on behalf of, the combined entity after the acquisition. FASB Emerging Issues Task Force (EITF) 95-8, *Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Company in a Purchase Business Combination,* provides factors to consider in determining whether earn-outs should be accounted for as additional purchase price or as compensation expense. Auditors should carefully analyze the facts and circumstances of the contingent consideration arrangement, including the various indicators described in the EITF consensus, in assessing management's judgment as to whether payments are additional consideration or compensation.

Consolidation of Medical Practice Management Companies

In states that prohibit the direct employment of or control over physicians/dentists by non-physicians/dentists (for example, by a physician management company), companies desiring to merge these functions frequently form two separate companies—an administrative company (AC) and a medical company (MC)—solely to comply with these "corporate practice of medicine" laws and regulations. Although

neither company has legal ownership of the other, in substance they exist and operate for the exclusive mutual benefit of one another. The SEC staff has been raising issues in conjunction with filings by physician management companies in which the AC and MC are presented as a consolidated/combined entity unless it is clear that the management company exerts unilateral and perpetual control over the medical practices. Auditors should be aware of the staff's concerns, as well as the requirements in chapter 11 of the Audit and Accounting Guide *Health Care Organizations,* if they audit physician management companies that have formed medical practice management companies.

Medicare/Medicaid Reserves

The SEC staff has expressed concern that providers may in some cases use reserves for Medicare and Medicaid settlements as discretionary reserves to manage the amount of income that is reported in a particular year. For example, if a provider involved in an acquisition accrues excess third-party reserves at the acquisition date, the later release of the excess reserve would result in an overstatement of income. Consequently, in certain situations, the SEC may require provider registrants to provide information pertaining to third-party reserves and environmental reserves (for example, significant detail about reserve movements, the timing of the movements and the rationale behind the movements) in the registrant's financial statements and/or Management's Discussion and Analysis (MD&A). As auditors evaluate the propriety of reserves reported by health care organizations, they should pay particular attention to third-party reserves and environmental reserves and carefully consider the evidential matter supporting the amount of the liability.

Auditors of health care organizations that register with the SEC should also be aware that on July 31, 1996, the SEC staff issued Staff Accounting Bulletin (SAB) No. 97. The SAB expresses the views of the SEC staff regarding 1) the inappropriate application of SAB No. 48, *Transfers of Nonmonetary Assets by Promoters or Shareholders,* to purchase business combinations consummated just prior to or concurrent with an initial public offering, and 2) the identification of an accounting acquirer in accordance with APB Opinion No. 16, *Business Combinations,* for purchase business combinations involving more than two entities. A copy of the SAB may be obtained from the SEC's World Wide Web home page at *http://www.sec.gov.*

Classification of Net Appreciation on Investments of Donor-Restricted Endowment Funds

A donor's stipulation that requires a gift to be invested in perpetuity or for a specified term creates a donor-restricted endowment fund. The

Uniform Management of Institutional Funds Act (Uniform Act), which has been adopted in varying forms in at least twenty-nine states since its development in 1972, requires that in appropriating appreciation in an endowment fund, members of a governing board exercise ordinary business care and prudence.

Where the Uniform Act is in force, there has been some uncertainty regarding whether the requirement to exercise ordinary business care and prudence allows the governing board the authority to designate a portion of investment income as permanently restricted to preserve the purchasing power of endowment funds. At the March 21, 1996, meeting of the EITF, the FASB staff commented on this issue and concluded that "a legal limitation that requires a governing board to exercise ordinary business care and prudence when appropriating net appreciation is not the equivalent of a law that extends a donor-imposed restriction and, therefore, does not result in classification of net appreciation as donor-restricted, either permanently or temporarily."

There may be exceptions to this conclusion in states in which the Uniform Act has been modified. To determine what the law in a particular state requires, a practitioner may request the opinion of legal counsel. In general, legal counsel's advice on what constitutes "ordinary business care and prudence" would only be helpful if case law applicable to the Uniform Act was being interpreted. In the absence of the interpretation of case law, or modification to the Uniform Act through state legislation, the provisions of the Uniform Act would be interpreted in the manner noted above by the FASB staff.

When reviewing a health care organization's classification of net appreciation on investments of donor-restricted endowment funds, auditors should consider the guidance in FASB Statement Nos. 117 and 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (FASB, *Current Text*, vol. 2, sec. No4) as well as the status of the applicable state's legal requirements related to donor-restricted gifts.

Agency Transactions

In December 1995, the FASB released an exposure draft of a proposed Interpretation, *Transfers of Assets in Which a Not-for-Profit Organization Acts as an Agent, Trustee, or Intermediary (An Interpretation of FASB Statement No. 116)*. The exposure draft would clarify the use of the terms *agent, trustee,* or *intermediary* in paragraph 4 of FASB Statement No. 116. The exposure draft provides that an organization would be presumed to be acting as an agent or trustee in the event of any of the following:

1. A resource provider specifies a third-party beneficiary or beneficiaries and does not explicitly grant the recipient organization the unilateral power to redirect the use of assets provided away from the specified beneficiary or beneficiaries

2. The recipient organization exists to raise, hold, or invest assets for another organization
3. The recipient organization is directed by the resource provider to invest assets provided in perpetuity and return the income from those assets to the resource provider or its affiliates

The period for commenting on the proposal has expired.

After considering the comments received on the exposure draft, the FASB has decided to split this project into two separate pieces: one to address situations in which the recipient organization has the unilateral power to redirect the use of the assets away from the specified beneficiary (FASB Interpretation No. 42, *Accounting for Transfers of Assets in Which a Not-for-Profit Organization Is Granted Variance Power, (An Interpretation of FASB Statement No. 116)*, issued in September 1996, addresses this piece) and another to address other situations in which a donor specifies a third-party beneficiary, including accounting by that beneficiary for the contribution received.

Auditors should consider the wording used in solicitations or gift agreements to determine whether resources received by not-for-profit organizations are received in agency transactions. This issue is particularly pertinent for audits of institutional foundations and fund-raising foundations. Auditors should consider discussing these matters with clients as soon as possible, to avoid misunderstandings between clients and auditors concerning accounting for such transactions.

Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities

In June 1996, the FASB issued Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.* This Statement provides accounting and reporting standards for transfers and servicing of financial assets and the extinguishments of liabilities. Those standards are based on consistent application of a *financial-components approach* that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets if control has been surrendered, and derecognizes liabilities when extinguished. This Statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings.

This Statement requires the following:

- Liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets must be initially measured at fair value, if practicable

- Servicing assets and other retained interests in the transferred assets must be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer
- Servicing assets and liabilities must be subsequently measured by the following:
  - — Amortization in proportion to and over the period of estimated net servicing income or loss
  - — Assessment for asset impairment or increased obligation based on their fair values
- Debtors must reclassify financial assets pledged as collateral and secured parties must recognize those assets and their obligation to return them in certain circumstances in which the secured party has taken control of those assets.
- A liability must be derecognized if and only if either of the following occur.
  - — The debtor pays the creditor and is relieved of its obligation for the liability
  - — The debtor is legally released from being the primary obligor under the liability either judicially or by the creditor.

Therefore, a liability is not considered extinguished by an in-substance defeasance.

FASB Statement No. 125 supersedes FASB Statements Nos. 76, *Extinguishment of Debt* (an amendment of APB Opinion No. 26) (FASB, *Current Text*, vol. 1, sec. D14), and 77, *Reporting by Transferors for Transfers of Receivables with Recourse* (FASB, *Current Text*, vol. 1, sec. R20).

It also amends FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (FASB, *Current Text*, vol. 1, sec. I80), to clarify that a debt security may not be classified as held-to-maturity if it can be prepaid or otherwise settled in such a way that the holder of the security would not recover substantially all of its recorded investment. This Statement amends and extends to all servicing assets and liabilities the accounting standards for mortgage servicing rights now in FASB Statement No. 65, *Accounting for Certain Mortgage Banking Activities* (FASB, *Current Text*, vol. 2, sec. Mo4), and supersedes FASB Statement No. 122, *Accounting for Mortgage Servicing Rights* (FASB, *Current Text*, vol. 2, sec. Mo4). This Statement also supersedes Technical Bulletins No. 84-4, *In-Substance Defeasance of Debt*, No. 85-2, *Accounting for Collateralized Mortgage Obligations (CMOs)*, and No. 87-3, *Accounting for Mortgage Servicing Fees and Rights*.

This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is to be applied prospectively. Earlier or retroactive application is not permitted.

Developments Related to Governmental/Nongovernmental Issues Affecting Health Care Entities

In recent years, the AICPA and the Governmental Accounting Standards Board (GASB) have issued a number of documents that clarify accounting and reporting requirements for governmental and nongovernmental entities. This section summarizes these documents and provides a roadmap to applicable guidance for various accounting and reporting issues facing investor-owned, not-for-profit nongovernmental and not-for-profit governmental health care organizations.

In January 1992, the AICPA issued SAS No. 69, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles *in the Independent Auditor's Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 411), which redefined the GAAP hierarchy between FASB and GASB. The provisions of SAS No. 69 establish two separate hierarchies, one for governmental entities and one for nongovernmental entities.

In September 1993, the GASB issued Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*, that clarifies how GASB statements affect governmental entities that use business type accounting and financial reporting. Alternative approaches are available to a governmental health care provider, although the alternative selected must be used consistently. One alternative is to follow the GASB hierarchy exclusively regarding pronouncements issued after November 30, 1989. The other alternative is to follow the FASB hierarchy regarding pronouncements issued after November 30, 1989, unless GASB pronouncements conflict.

This additional authoritative guidance for governmental and nongovernmental entities had some limitation because there was no precise definition of government. In March of 1996, the FASB and GASB agreed to the following definition of *governmental entity*, which is included in paragraph 1.02 of the AICPA Audit and Accounting Guide, *Health Care Organizations*:

> Public corporations and bodies corporate and politic are governmental entities. Other organizations are governmental entities if they have one or more of the characteristics listed below:
>
> - Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's

governing body by officials of one or more state or local governments

- The potential for unilateral dissolution by a government with the net assets reverting to a government
- The power to enact and enforce a tax levy

Furthermore, organizations are presumed to be governmental if they have the ability to issue directly (rather than through a state or municipal authority) debt that pays interest exempt from federal taxation. However, organizations possessing only that ability (to issue tax-exempt debt) and none of the other governmental characteristics may rebut the presumption that they are governmental if their determination is supported by compelling, relevant evidence.

An entity meeting any of the preceding criteria is classified a governmental entity and as such is subject to the rules promulgated by the GASB. The following matrix illustrates how an organization's classification as investor-owned, not-for-profit nongovernmental, and not-for-profit governmental determines the appropriate authoritative guidance to be applied to various accounting and reporting issues.

Area	*Investor-Owned For-Profit*	*Not-for-Profit Nongovernment*	*Not-for-Profit Government*
Pensions	FASB Statement No. 87, *Employers' Accounting for Pensions* (FASB, *Current Text*, vol. 1, sec. P16)	FASB Statement No. 87	GASB Statement No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employees;* GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* for years beginning after June 15, 1997
Post Retirement Benefits	FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other*	FASB Statement No. 106	GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other*

(continued)

Area	*Investor-Owned For-Profit*	*Not-for-Profit Nongovernment*	*Not-for-Profit Government*
	Than Pensions (FASB, *Current Text*, vol. 1, sec. P40)		*Than Pension Benefits by State and Local Governmental Employers;* supplemented by GASB Statement No. 27
Cash Flows	FASB Statement No. 95, *Statement of Cash Flows* (FASB, *Current Text*, vol. 1, sec. C25)	FASB Statement No. 95	GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*
Investments	FASB Statement No. 115	FASB Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (FASB, *Current Text*, vol. 2, sec. No4)	GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements;* FASB Statement No. 115 if following the "FASB Option" provided in paragraph 7 of GASB Statement No. 20
Financial Statement Display	FASB Statement No. 116	FASB Statement Nos. 116 and 117	GASB Statement No. 29, *The Use of Not-for-Profit Accounting Principles,* prohibits following FASB Statement Nos. 116 and 117
Reporting Entity	APB No. 18, *The Equity Method of Accounting for Investments in Common Stock* (FASB,	SOP 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*	GASB Statement No. 14, *The Financial Reporting Entity*

Area	*Investor-Owned For-Profit*	*Not-for-Profit Nongovernment*	*Not-for-Profit Government*
	Current Text, vol. 1, sec. I82), and FASB Statement No. 94, *Consolidation of All Majority-Owned Subsidiaries* (an amendment of ARB No. 51, with related amendments of APB Opinion No. 18 and ARB No. 43, Chapter 12) (FASB, Current Text, vol. 1, sec. C51)		
Debt Refundings	APB No. 26, *Early Extinguishment of Debt* (FASB, *Current Text*, vol. 1, sec. D14), FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt* (an amendment of APB Opinion No. 30) (FASB, *Current Text*, vol. 1, sec. D14 and I17) and FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*	APB No. 26, FASB Statement Nos. 4 and 125	GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, and GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*
Compensated Absences	FASB Statement No. 43, *Accounting for Compensated Absences* (FASB, *Current Text*, vol. 1, sec.	FASB Statement Nos. 43 and 112	GASB Statement No. 16, *Accounting for Compensated Absences*

(continued)

Area	*Investor-Owned For-Profit*	*Not-for-Profit Nongovernment*	*Not-for-Profit Government*
	C44), and FASB Statement No. 112, *Employers' Accounting for Postemployment Benefits* (an amendment of FASB Statement Nos. 5 and 43) (FASB, *Current Text*, vol. 1, various secs.)		
Deposits with Financial Institutions	FASB Statement No. 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk* (FASB, *Current Text*, vol. 1, sec. F25)	FASB Statement No. 105	GASB Statement No. 3
Operating Leases	FASB Statement No. 13, *Accounting for Leases* (FASB, *Current Text*, vol. 1, sec. L10)	FASB Statement No. 13	GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*

Governmental Not-for-Profit Accounting Developments

The following accounting pronouncements and projects of the GASB were recently released and may affect governmental health care organizations.

GASB Statements Effective During 1996

- GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*
- GASB Statement No. 29, *The Use of Not-for-Profit Accounting Principles*

GASB Statements Effective After 1996, With Early Application Encouraged

- GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*
- GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Plans*
- GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*
- GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*
- GASB Statement No. 30, *Risk Financing Omnibus*

GASB Interpretations Effective After 1996, With Early Application Encouraged

- GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*
- GASB Interpretation No. 3, *Financial Reporting for Reverse Repurchase Agreements*
- GASB Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools*

Recent GASB Exposure Drafts Issued

- *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*
- *The Financial Reporting Entity—Affiliated Organizations*

A detailed summary of these documents can be found in the Audit Risk Alert *State and Local Governmental Developments—1996*. This Audit Risk Alert also contains valuable information on current issues and audit risks facing governmental entities.

Accounting for Transfers Among Health Care Organizations

In response to the pressure to contain health care costs, health care providers are developing integrated delivery systems and establishing new alliances to gain operating and functional efficiencies. As a result, transfers of resources between organizations frequently occur within the health care industry. The accounting treatment for such transfers in practice has been varied. With the issuance of the new Audit and Accounting Guide *Health Care Organizations* (see the section of this Audit Risk Alert entitled "Health Care Audit Guide Project"), additional guidance has been provided with respect to these kinds of transactions.

Auditors of health care providers should be alert to the new guidance set forth in chapter 11 (paragraphs 19–24) of the Guide which differentiates and defines the various kinds of transfers among health care organizations and provides guidance on the appropriate accounting for each kind of transfer.

Accounting for Exchange Transactions in Health Care Organizations

Foundations, business organizations, and other entities may provide resources to health care organizations under programs referred to as grants, awards or sponsorships. Confusion has arisen in practice with respect to the appropriate classification of these resources as either contributions or exchange transactions. FASB Statement No. 116 provides the following guidance:

- *Contributions.* Contributions are (a) *nonreciprocal* transfers, (b) are transfers to or from entities acting other than as owners, and (c) are made or received voluntarily (paragraph 48).
- *Exchange Transactions.* Exchange transactions are *reciprocal* transfers in which each party receives and sacrifices approximately equal value (paragraph 48).

Proper classification based on the preceding guidance is essential as it determines the appropriate accounting treatment the entity must follow (i.e., contributions must be accounted for in accordance with the provisions of FASB Statement No. 116; exchange transactions do not). Auditors of not-for-profit health care organizations should be familiar with the factors that distinguish a contribution from an exchange transaction. The AICPA Audit and Accounting Guide *Not-for-Profit Organizations* (chapter 5, table 5.1) includes a chart of indicators that are useful in distinguishing the two kinds of transactions.

AICPA Audit and Accounting Literature

Audit and Accounting Guide

The AICPA Audit and Accounting Guide *Health Care Organizations* is available through the AICPA's loose-leaf subscription service. In the loose-leaf service, conforming changes (those necessitated by the issuance of new authoritative pronouncements) and other minor changes that do not require due process are incorporated periodically. Paperback editions of Audit and Accounting Guides as they appear in the service are printed annually. Copies may be obtained by calling the

AICPA Order Department at (800) TO-AICPA, Department No. 1, and asking for product no. 012429.

Health Care Financial Reporting Checklist

The AICPA's Technical Information Service has published a revised version of *Checklists and Illustrative Financial Statements for Health Care Providers*, a nonauthoritative practice aid for preparers or reviewers of financial statements of health care entities. Copies may be obtained by calling the AICPA Order Department at (800) TO-AICPA, Department No. 1, and asking for product no. 008639.

Technical Practice Aids Publication

Technical Practice Aids is an AICPA publication that includes questions received by the AICPA's Technical Information Service on various subjects and the service's response to those questions. Section 6400 of *Technical Practice Aids* contains questions and answers specifically pertaining to health care entities. *Technical Practice Aids* is available both as a subscription service and in hardback form. Ordering information may be obtained by calling the AICPA Order Department at (800) TO-AICPA, Department No. 1, and asking for product no. 005055. Auditors should be aware that the next subscription service update of *Technical Practice Aids* (due out in November) will include two new questions and answers relating to joint operating agreements and the use of the pooling-of-interests method of accounting

National Health Care Conference

Each summer the AICPA and the Healthcare Financial Management Association cosponsor a National Health Care Conference that is specifically designed to update practitioners and health care financial executives on significant accounting, legal, financial, and tax developments affecting the health care industry. Information on the conference may be obtained by calling the AICPA Continuing Professional Education Division at (201) 938-3534.

Information Sources

The following are publications pertaining to health care industry trends and statistics that may be of interest to auditors of health care entities (see the table entitled "Information Sources" that follows). The list is not all-inclusive and is presented for informational purposes only. It is not to be construed as an endorsement of any of the following publications or organizations. Many nongovernment and some gov-

ernment publications and services involve a charge or membership requirement.

Fax services allow users to follow voice cues and request that selected documents be sent by fax machine. Some fax services require the user to call from the handset of the fax machine, others allow the user to call from any phone. Most fax services offer an index document, which lists titles and other information describing available documents.

Electronic bulletin board services allow users to read, copy, and exchange information electronically. Most are available using a modem and standard communications software. Some bulletin board services are also available using one or more Internet protocols.

Recorded announcements allow users to listen to announcements about a variety of recent or scheduled actions or meetings.

All phone numbers listed are voice lines, unless otherwise designated as fax (f) or data (d) lines. Required modem speeds, expressed in bauds per second (bps), are listed data lines.

* * * *

This Audit Risk Alert supersedes *Health Care Industry Developments—1995/96.*

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Auditors should also be aware of the economic, regulatory, and professional developments that may affect the audits they perform, as described in *Audit Risk Alert—1996,* which may be obtained by calling the AICPA Order Department at the number below and asking for product no. 022194.

Copies of AICPA publications referred to in this document may be obtained by calling the AICPA Order Department at (800) TO-AICPA. Copies of FASB and GASB publications referred to in this document may be obtained directly from the FASB or GASB by calling the FASB/GASB Order Department at (203) 847-0700, ext. 10.

Copies of federal documents referred to in this document are available for sale from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20401; order desk telephone: (202) 512-1800; FAX: (202) 512-2250.

Information Sources

Organization	General Information	Fax Services	Available Publications
Health Care Investment Analysts, Inc. (HCIA)	*Order Department* 300 East Lombard Street Baltimore, MD 21200 Attn: Customer Service (800) 568-3282		*Comparative Performance of U.S. Hospitals: The Sourcebook* *Profile of U.S. Hospitals* *Guide to the Managed Care Industry* *Guide to the Nursing Home Industry*
American Association of Homes and Services for the Aging (AAHSA)	*Order Department* AAHSA Publications, Dept. 5119 Washington, DC 20061-5119 (301) 490-0677		*Continuing Care Retirement Communities: An Industry in Action*
Center for Healthcare Industry Performance Studies (CHIPS)	*Order Department* 1550 Old Henderson Road, Suite S277 Columbus, OH 43220-3626 (800) 859-2447		*Almanac of Hospital Financial & Operating Indicators*
American Hospital Association (AHA)	*Order Department* P.O. Box 92683 Chicago, IL 90673-2683 (800) AHA-2626	Fax-on-Demand (312) 422-2020	*Hospital Statistics* *National Hospital Panel Survey Report*
Group Health Association of America, Inc. (GHAA)	*Order Department* 1129 20th Street, NW, Suite 600 Washington, DC 20036 (202) 778-3200	Fax-on-Demand (202) 331-7487	*HMO Industry Profile*
Interstudy Publications	*Order Department* 2901 Metro Drive, 4th Floor Minneapolis, MN 55425 (612) 858-9291	Fax-on-Demand (612) 854-5698	*Competitive Edge Industry Report for HMOs*

(continued)

Information Sources *(cont'd)*

Organization	General Information	Fax Services	Available Publications
American Medical Association (AMA)	*Order Department* 515 N. State Street Chicago, IL 60610 (800) 621-8335	Information-on-Request Fax Line (800) 621-8335	*Socioeconomics of the Medical Practice*
Medical Group Management Association	*Order Department* Denver, CO 80256-0444 (303) 397-7888	Fax-on-Demand (800) FAX-4MED	*Cost Survey* *Academic Practice Management Survey*
Healthcare Financial Management Association (HFMA)	*Order Department* Two Westbrook Corporate Center, Suite 700 Westchester, IL 60154 (202) 296-2920	Fax-on-Demand (800) 839-HFMA	*Healthcare Financial Management* (monthly publication)

Information Sources *(cont'd)*

Organization	General Information	Fax Services	Electronic Bulletin Board Services	Recorded Announcements
American Institute of Certified Public Accountants	*Order Department* Harborside Financial Center 201 Plaza Three Jersey City, NJ 07311-3881 (800) TO-AICPA or (800) 862-4272 Information about AICPA continuing professional education programs is available through the AICPA CPE Division (extension 1) and the AICPA Meetings and Travel Division: (201) 938-3232.	*24 Hour Fax Hotline* (201) 938-3787	*Accountants Forum* This information service is available on CompuServe. Some information is available only to AICPA members. To set up a CompuServe account call (800) 524-3388 and ask for the AICPA package or rep. 748.	
Financial Accounting Standards Board	*Order Department* P.O. Box 5116 Norwalk, CT 06856-5116 (203) 847-0700, ext. 10			*Action Alert Telephone Line* (203) 847-0700 (ext. 444)
U.S. General Accounting Office	*Superintendent of Documents* U.S. Government Printing Office Washington, DC 20401-0001 (202) 512-1800 (202) 512-2250 (f)		*U.S. Government Printing Office's* *The Federal Bulletin Board* Includes *Federal Register* notices and the Code of Federal Regulations. Users are usually expected to open a deposit account. User assistance line: (202) 512-1530 (202) 512-1387 (d) Telnet via internet: federal.bbs.gpo.gov 3001	
U.S. Securities and Exchange Commission	*Publications Unit* 450 Fifth Street, NW Washington, DC 20549-0001 (202) 942-4046 *SEC Public Reference Room* (202) 942-8079	*Information Line* (202) 942-8088, ext. 4 (202) 942-7114 (tty)	World Wide Web home page: http://www.sec.gov	*Information Line* (202) 942-8088 (202) 942-7114 (tty)